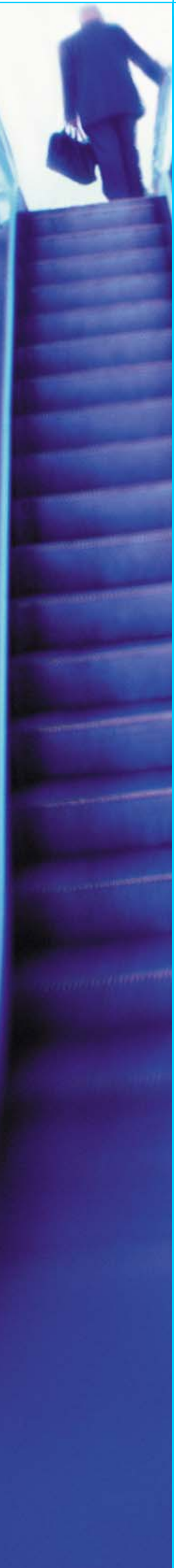


Xenon Alpha Plus2 Quarterly report for period 1 October – 31 December 2008

Xenon Alpha Plus2 are redeemable preference shares carrying a return linked to the performance of the Alpha Plus Portfolio. The shares are issued by Deutsche Xenon Alpha Plus2 Limited (The "Issuer"). The Alpha Plus Portfolio is designed to generate returns linked to the performance of two funds of hedge funds: the Ivy Rosewood Diversified Fund and the Meridian Diversified Fund.

Performance review

Performance (to 31 December 2008)	Xenon Alpha Plus2	UBS Composite Bond Index	S&P/ASX 200 Accumulation Index	S&P 500 Accumulation in USD
One month	-52.85%	1.28%	-0.28%	1.06%
Three months	-83.56%	6.34%	-18.25%	-21.94%
Six months	-89.66%	12.00%	-26.79%	-28.48%
Annualised return since inception on 27 May 2005[1]	-41.71%	6.83%	1.55%	-5.68 %

(1) Represents the compound average growth rate since inception on 27 May 2005
Source: Deutsche Bank

Percentage change in net asset value[1]

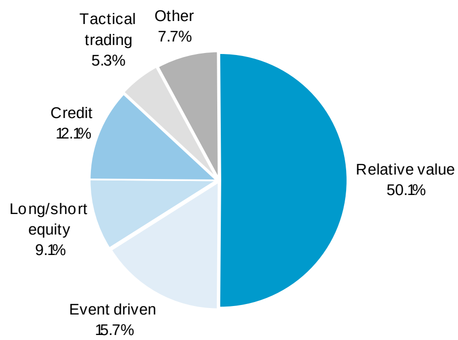
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD[2]
2005						2.1%	3.9%	1.4%	1.4%	-3.7%	2.3%	3.2%	10.8%
2006	6.0%	0.1%	1.9%	3.7%	-4.9%	-1.6%	-1.6%	3.1%	-10%	2.66%	5.37%	3.27%	7.15%
2007	4.99%	0.86%	1.66%	2.85%	5.89%	-0.15%	-0.91%	-5.24%	3.41%	5.18%	-1.27%	-1.07%	16.77%
2008	-7.46%	3.20%	-5.95%	1.90%	4.80%	-1.70%	-6.75%	-3.72%	-25.75%	-48.14%	-32.75%	-52.85%	-89.66%

(1) Represents the percentage change each month in the net asset value of Xenon Alpha Plus2
(2) Represents the year to date percentage change in the net asset value of Xenon Alpha Plus2
Source: Deutsche Bank

Ivy allocation by strategy as at 31 December 2008

	% of fund
Relative value	50.1%
Long/short equity	9.1%
Event driven	15.7%
Credit	12.10%
Tactical trading	5.3%
Other	7.7%
Total	**100.0%**

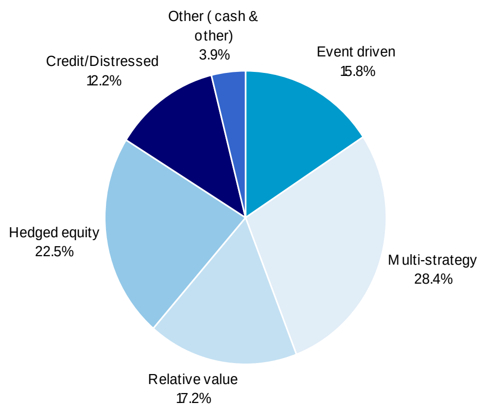
Source: Ivy Asset Management



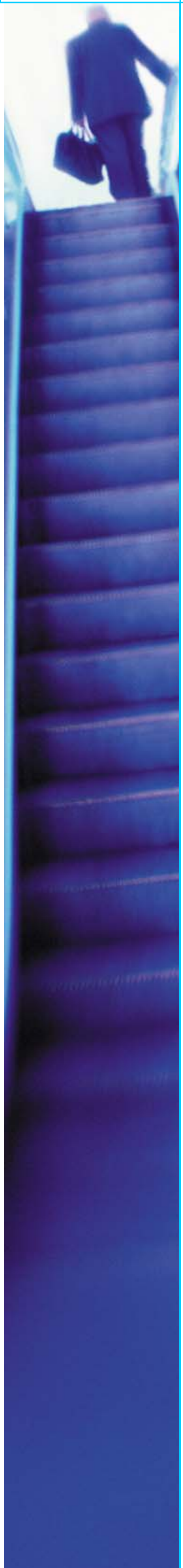
Meridian allocation by strategy as at 1 January 2009

	% of fund
Multi strategy	28.4%
Hedged equity	22.5%
Credit/Distressed	12.2%
Event driven	15.8%
Other (cash & other)	3.9%
Relative value	17.2%
Total	**100.0%**

Source: Meridian



Xenon Alpha Plus2 Quarterly report for period 1 October – 31 December 2008



Portfolio performance

In the fourth quarter of 2008, the Xenon Alpha Plus2 Portfolio decreased by 83.56%. Combined with its performance since inception in May 2005, Xenon Alpha Plus2 has recorded an annualised return of -41.71%.

During the quarter the Meridian account contributed -49.90 percentage points to performance and the Ivy account contributed -37.66 percentage points to performance.

The total leverage employed per Xenon Alpha Plus2 was $2.50 per Share at quarter end.

As noted in our first interim update in Quarter 4 2008 (available at www.deutschexenon.db.com), deleveraging has occurred as a result of the declining NAV in both the Ivy Fund and the Meridian Fund. As such, there is an increased likelihood of a Knock Out event occurring (although the performance of the product cannot be predicted with certainty). The occurrence of a Knock Out event can impact exposure to either or both of the Ivy fund and the Meridian Fund, and results in exposure to the affected fund (and the outstanding balance of any Additional Leverage) being reduced to zero. Any remaining value would then be allocated to the relevant Cash Facility. Permanent Leverage would remain in place until maturity and the Funding Charge on the Permanent Leverage would continue to be deducted until maturity.

In addition, as noted in our second interim update in Quarter 4 2008, the Issuer became aware that the Meridian Fund has an allocation of approximately 6% of its portfolio to the Rye Select Fund, one of the hedge funds overseen by Bernard Madoff (the money manager arrested recently in the United States for alleged fraud). International media commentary has suggested that funds overseen by Bernard Madoff are likely to suffer significant losses. The Issuer has not verified the extent of these losses and is not able to do so, however, any losses may put downward pressure on the performance of Xenon Alpha Plus2.

Macro review

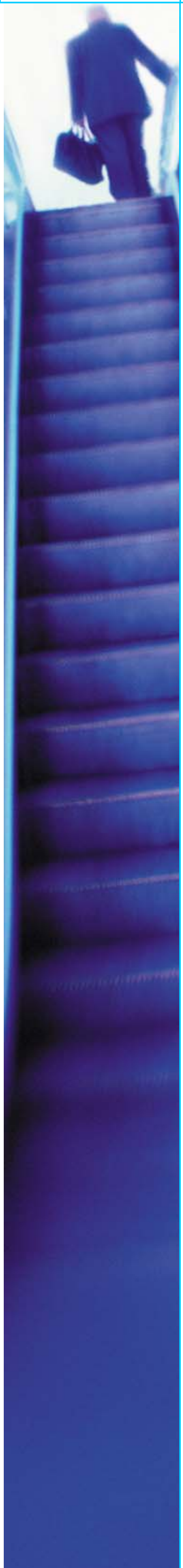
During the fourth quarter, significant losses were experienced across almost all traditional asset classes, and investor risk aversion became so great that US Treasuries stood out as one of the very few winners in a quarter-long “flight to quality” by investors. The credit crunch and shocks to the financial system caused major disruptions, resulting in the failure of some financial institutions and the propping up and bailout of others. The lack of liquidity and meltdown of markets in equities, investment grade credit, high-yield credit and asset-backed securities required large bailouts and injections of capital by governments around the world, led by the US Federal Reserve and Treasury Department.

Market conditions were severe and the hedge fund industry struggled against the combined forces of sharply negative markets, an unstable financial system and an unprecedented wave of investor redemptions.

Strategy review

Event Driven. Volatile equity and credit markets, global deleveraging, broken deals and investor uncertainty, combined to create a very difficult environment in which many hedge fund managers employing event driven strategies suffered losses.

Credit. Credit/distressed managers ended the quarter with losses, as virtually frozen credit markets and continued forced selling among panicked institutional investors drove valuations of credit related instruments to record lows. Both high yield bond and leveraged loan markets experienced unprecedented sell offs, due to the combination of rapidly deteriorating economic fundamentals and technical factors that deprived the markets of sufficient liquidity.



Equity. Global equity markets continued their sharp decline in the fourth quarter. Hedged equity managers endured a volatile quarter and ended the period with losses. Manager results were hurt by indiscriminate selling, extreme equity market volatility and net long positions in the consumer non-cyclical, commercial, industrial and energy sectors.

Tactical Trading. As a whole, tactical trading strategies outperformed the bulk of other investment and hedge fund strategies and were able to benefit from heightened levels of uncertainty and volatility across global markets during the quarter.

Relative Value. Most relative value strategies remained under technical pressures from widening credit spreads, abnormally high volatility levels, falling asset valuations and high asset and market correlations. In addition, the continued decline of wholesale funding from prime brokers, dramatic increases in margin requirements, historically wide bid-offer spreads and redemption requests from investors, resulted in material deleveraging activities across the asset management industry. The cumulative effect of this selling pressure was a generally inhospitable environment for relative value strategies for the quarter.

Important notice. Whilst this publication relates to the quarter ending 31 December 2008, it may be published some time after that date. However, this publication does not reflect, or take into account, any events or circumstances occurring in the period between the relevant quarter end and the date of publication.

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